

**REGION SIX PLANNING COMMISSION**

**INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2004**

# REGION SIX PLANNING COMMISSION

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## REGION SIX PLANNING COMMISSION

### BOARD OF DIRECTORS AND OFFICIALS

#### BOARD MEMBERS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Keith Sash	Chairperson	Tama County
Sandy Moffett	Vice-Chairperson	Poweshiek County
Dr. Lloyd Bates	Member	Private Sector
Gordon Canfield	Member	City of Grinnell
Jim Johnson	Member	Hardin County
Rocky Lavallo	Member	City of Iowa Falls
Roger Luehring	Member	City of Gladbrook
John Cahill	Member	City of Marshalltown
Mark Schoborg	Member	Private Sector
John Soorholtz	Member	Marshall County

#### AGENCY OFFICIALS

Marty Wymore	Executive Director
G.A. Griffith	Transit Manager and Fiscal Director



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**INDEPENDENT AUDITOR'S REPORT**

To the Region Six Planning Commission  
Marshalltown, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Region Six Planning Commission, Marshalltown, Iowa, as of and for the year ended June 30, 2004. These financial statements are the responsibility of Region Six Planning Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Region Six Planning Commission, Marshalltown, Iowa, at June 30, 2004 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10, during the year ended June 30, 2004, Region Six Planning Commission adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 23, 2004, on our consideration of Region Six Planning Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 5 through 8 is not required parts of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2002, (none of which is presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.

*Martens & Company, CPA, P.C.*

West Des Moines, Iowa  
September 23, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Region Six Planning Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- The Commission's support and revenues increased 19%, or \$185,619, from fiscal 2003 to fiscal 2004. Federal grants and local service revenue increased and state appropriations decreased.
- The Commission's operation expenses were 18%, or \$147,661, more in fiscal 2004 than in fiscal 2003.
- The Commission's net assets increased 22%, or \$185,380, from June 30, 2003 to June 30, 2004.

### USING THIS ANNUAL REPORT

The Region Six Planning Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Region Six Planning Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

### FINANCIAL ANALYSIS OF THE COMMISSION

#### *Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2004 totaled approximately \$1,032,737. This compares to approximately \$847,357 for fiscal 2003. A summary of the Commission's net assets is presented below.

Net Assets		
	June 30,	
	2004	2003
Current assets	\$ 552,621	\$ 479,582
Non-current assets	227,104	121,903
Capital assets at cost, less accumulated depreciation	508,863	356,540
Total assets	1,288,588	958,025
Current liabilities	255,851	110,668
Total liabilities	255,851	110,668
Net assets:		
Invested in capital assets, net of related debt	508,863	356,540
Restricted	77,067	81,192
Unrestricted	446,807	409,625
Total net assets	<u>\$1,032,737</u>	<u>\$ 847,357</u>

#### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Support and revenues are received from federal grants, state appropriations, and other local sources. Expenditures are expenses to operate the transit systems and programs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2004 and 2003 are presented below:

Changes in Net Assets		
	June 30,	
	2004	2003
Support and Revenue		
Grant and appropriations	\$ 559,724	\$ 453,972
Local services	608,145	528,278
Total support and revenue	1,167,869	982,250
Expenditures	982,489	834,828
Total expenditures	982,489	834,828
Changes in net assets	185,380	147,422
Net assets beginning of year	847,357	699,935
Net assets end of year	<u>\$1,032,737</u>	<u>\$ 847,357</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

- Net assets for the year increased \$185,380. Most of this increase was due to new transit equipment purchases.
- Community planning expenses for the year were \$262,494 and revenues were \$308,379. The expenses and revenues are likely to decrease in the future. Fiscal year 2004 was the last year for the Region Six Local Housing Assistance Program grant program. There are no available state and federal funds to continue this down payment, repair, and mortgage buy-down program.
- Transportation planning expenses for the year were \$36,940 and revenues were \$37,280. Region Six assisted the Iowa Department of Transportation with public input and documents for the Iowa State Transportation Plan Update. This was a special \$5,000 project. Future expenses will be slightly lesser in this program area.
- EDA/RLF expenses for the year were \$48,346 and revenues were \$69,571. Future revenues and expenses will follow similar trends. This economic development loan fund will continue to loan out funds that are repaid. Some federal funds at the Economic Development Administration still need to be requested.
- Overall, the general activity expenses were \$348,671 and revenues were \$415,087. Future expenses and revenues in this aggregate area will be lesser due to lesser community planning grants for housing activities.
- Transit operating expenses (without depreciation) were \$543,818 and revenues were \$539,922. With depreciation, the total expenses were \$633,818 and revenues remained at \$539,922.
- State Transit Assistance, Federal Transit Operating Assistance, and Fuel Tax Refund for the year totaled \$240,298. These funds are allocated by formula across all transit programs. These same sources for the previous fiscal year totaled \$237,273. The increases were in the fuel tax refund and Federal Transit Assistance. State funding decreased. These same funding sources are projected to increase 15-20% from fiscal year 2004 to fiscal year 2005. The legislature did not divert these funds in fiscal year 2005 to support state general fund activities.
- Transit equipment grants for the year totaled \$209,325. These Federal Transit Administration funds require a 17-20% local match, depending upon the federal funding program. All these funds were used for new accessible public transit vehicles for the Peoplerrides regional public transit program. Many new vehicles were acquired in fiscal year 2004. The number of vehicle replacements will be reduced over the next several fiscal years.

## **STATEMENT OF CASH FLOWS**

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing activities. Cash provided by the operating activities includes federal and state support, fare box revenue, planning contracts and other revenue, reduced by payments to employees and to suppliers. Cash used from financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

## **CAPITAL ASSETS**

At June 30, 2004, the Commission had approximately \$508,863 invested in capital assets, net of accumulated depreciation of approximately \$392,336. Depreciation charges totaled \$93,400 for fiscal year 2004. More detailed information about the Commission's capital assets is presented in Note 5 to the financial statements.



## **ECONOMIC FACTORS**

The current conditions of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up to date technology at a reasonable cost.
- Less financing is available for community planning activities.
- Fiscal 2004 was the last year for the Region Six Local Housing Assistance GRANT Program. There are no additional federal or state funds to continue this program.
- State transit assistance is projected to increase approximately \$40,000 in fiscal year 2005. The Commission will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

### **Contacting the Commission's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Region Six Planning Commission, 905 E. Main Street, Suite A, Marshalltown, IA 50158.

## **Basic Financial Statements**

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**REGION SIX PLANNING COMMISSION**
**STATEMENT OF NET ASSETS**

June 30, 2004

**ASSETS**

## Current assets:

Cash and investments	\$ 294,901
Receivables:	
Account	83,962
Governments	133,336
Interest	463
Prepaid insurance	4,186
Prepaid lease - current portion	8,000
Current portion notes receivable	
LHAP notes receivable	1,920
RLF notes receivable	25,853
Total current assets	<u>552,621</u>

## Noncurrent assets:

Long term portion - prepaid lease	107,333
Notes receivable	
LHAP notes receivable	14,454
RLF notes receivable	105,317
Capital assets (net of accumulated depreciation)	<u>508,863</u>
Total noncurrent assets	<u>735,967</u>
Total assets	<u>1,288,588</u>

**LIABILITIES**

## Current liabilities:

Accounts payable	210,116
Accrued expenses	
Payroll	18,073
Payroll taxes	5,364
Vacation	22,298
Total current liabilities	<u>255,851</u>
Total liabilities	<u>255,851</u>

**NET ASSETS**

Invested in capital assets	508,863
Restricted for:	
Vehicle reserve fund	77,067
Unrestricted	446,807
Total net assets	<u>\$ 1,032,737</u>

See notes to financial statements.

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**REGION SIX PLANNING COMMISSION**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

June 30, 2004

**SUPPORT AND REVENUE:**

## Support:

Federal grants	\$ 319,586
State appropriations	<u>240,138</u>
Total support	<u>559,724</u>

## Revenue:

Local services	<u>598,082</u>
Total support and revenue	<u>1,157,806</u>

## Expenditures:

General planning	24,195
Planning contracts	262,586
Transit expenses	642,865
General administrative	<u>52,843</u>
Total expenditures	<u>982,489</u>

Operating income	175,317
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**NON-OPERATING REVENUE**

Interest income	<u>10,063</u>
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CHANGES IN NET ASSETS	185,380
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NET ASSETS BEGINNING OF YEAR, AS RESTATED	<u>847,357</u>
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NET ASSETS END OF YEAR	<u><u>\$ 1,032,737</u></u>
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See notes to financial statements.

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**REGION SIX PLANNING COMMISSION**
**STATEMENT OF CASH FLOWS**

Year ended June 30, 2004

Cash flows from operating activities:	
Cash received from federal support	\$ 319,586
Cash received from state support	240,138
Cash received from fare box revenue	119,417
Cash received from planning contracts	139,562
Cash received from other revenues	137,432
Cash paid for goods and services	(293,737)
Cash paid for employees and benefits	(487,868)
Net cash provided by operating activities	<u>174,530</u>
Cash flows from capital and related financing activities:	
Principal payments made	(13,585)
Purchase of capital assets	(245,723)
Net cash used by capital and related financing activities	<u>(259,308)</u>
Cash flows from investing activities:	
Payments of notes receivable	26,503
Notes receivable issued	(75,000)
Interest received	10,063
Net cash provided by investing activities	<u>(38,434)</u>
Net decrease in cash and cash equivalents	(123,212)
Cash and cash equivalents beginning of year	<u>418,113</u>
Cash and cash equivalents end of year	<u>\$ 294,901</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 175,317
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	93,400
Bad debt	46,437
Changes in assets and liabilities:	
(Increase) in accounts receivable	(183,799)
(Increase) in prepaid expense	(115,593)
Increase in accounts payable	194,004
Increase in payroll accruals	2,264
(Decrease) in deferred revenue	(37,500)
Total adjustments	<u>(787)</u>
Net cash provided by operating activities	<u>\$ 174,530</u>

See notes to financial statements.

## **REGION SIX PLANNING COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

#### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Region Six Planning Commission is a voluntary organization of Hardin, Marshall, Poweshiek and Tama counties and their municipal corporations. The Commission was established in 1974 per Chapter 28H and 28E of the Code of Iowa to provide planning services and technical assistance, coordinate regional community development planning, provide contracts with state and federal governments, and operate a regional transit system. The basic operations of the commission are financed by membership dues and by financial assistance provided by the State of Iowa. The Commission is also authorized as a review and comment agency for federal grants for which member governments have applied. The Commission is governed by a Board of Directors and officials appointed by the member governments.

The accounting and reporting policies of the Commission relating to funds and account groups included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

The Commission is dependent on continued funding by federal, state and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

##### **A. Reporting Entity**

The Commission's financial statements include the accounts of all Commission operations. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Region Six Planning Commission has no component units which meet the Governmental Accounting Standards Board criteria. Membership in the Commission shall be open to each County, City and town within Region Six.

It is the policy of the Commission that at least 51% of the total Board of Directors as appointed by the member governments shall be elected officials holding office. At least 20% of the Board of Directors shall be non-elected officials.

##### **B. Basis of Presentation**

The accounts of Region Six Planning Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily

## REGION SIX PLANNING COMMISSION

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### B. Basis of Presentation - Continued

through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

##### C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### D. Assets, liabilities and net assets

The following accounting policies are followed in preparing the balance sheet:

Cash and cash equivalents - The Commission considers demand deposits and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Property and equipment are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date of donation.

## REGION SIX PLANNING COMMISSION

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### D. Assets, liabilities and net assets - continued

Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets, generally 3 to 10 years. The depreciated costs of the property and equipment does not purport to be either a realizable value or a replacement value. At the time an asset is removed from service, the cost is removed with any gain or loss recorded in current operations. Maintenance and repairs are recorded as expenditures as incurred and are not capitalized.

Compensated absences - Commission employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Amounts representing the cost of compensated absences expected to be liquidated are recorded as liabilities of the Government Fund Types. This liability has been computed based on current rates of pay in effect at June 30, 2004.

Receivables from Grantor Agencies - Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Receivables from grantor agencies represent an excess of expenses over cash basis reimbursements at year end.

Cost allocation - The Commission utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Costs which are common to more than one program have been identified and classified into cost pools. These cost pools have been allocated to the programs based on formulas developed by the Commission for each pool.

Use of estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Net Assets - In the Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.



## REGION SIX PLANNING COMMISSION

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

#### (2) CASH AND INVESTMENTS

Deposits (cash and certificates of deposit) are carried at cost, which approximates market value. The carrying amounts of deposits is separately displayed on the balance sheet as "Cash". The Commission maintains cash balances at several financial institutions located in Iowa. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2004, the Commission's uninsured cash balances total \$134,496.

#### (3) LHAP NOTES RECEIVABLE

On January 19, 2000, the Commission received a LHAP Award Grant in the amount of \$200,000. The funding for the grant is an appropriation to IDED by the State Legislature for the LHAP program established under the 1999 Iowa Code, and an agreement with the Iowa Finance Authority as authorized by 2000 Iowa Acts, House File 2422. The Commission is to make 10 year, low interest loans of up to \$10,000. Households benefitting from LHAP loans will be at or below 110% of the county median income limits. Two loans were made under this agreement. During the current period of low mortgage interest, Amendment 4 to the agreement allowed for forgivable loans of the remaining funds, totaling \$88,827 at June 30, 2004.

#### (4) RLF NOTES RECEIVABLE

On April 30, 2001, the Commission received a grant from the U.S. Department of Commerce, Economic Development Administration in the amount of \$150,000, under Title II, Section 209 of the Economic Development Reform Act of 1998. This grant is to be the Federal Contribution to a revolving loan fund. The loan recipient must contribute a matching amount, to provide for a total of \$300,000. The minimum interest rate that may be charged on all RLF loans will be no lower than four percentage points below the current money center prime rate as quoted in the Wall Street Journal, but no less than four percent. During the year ended June 30, 2004, one loan totaling \$75,000 was granted at an interest rate of five percent. One bad loan in the amount of \$46,437 was written off.

#### (5) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Furniture and fixtures	\$ 34,390	\$ 2,248	\$ 19,715	\$ 16,923
Vehicles	640,801	243,475	-	884,276
Total capital assets	675,191	245,723	19,715	901,199

## REGION SIX PLANNING COMMISSION

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

#### (5) CAPITAL ASSETS - CONTINUED

Less accumulated depreciation for:

Furniture and fixtures	24,418	3,400	19,715	8,103
Vehicles	294,233	90,000	-	384,233
	<u>318,651</u>	<u>93,400</u>	<u>19,715</u>	<u>392,336</u>
Capital assets - net	<u>\$356,540</u>	<u>\$152,323</u>	<u>\$ -</u>	<u>\$508,863</u>

Depreciation expense was charged to the following functions:

Governmental activities:

General administration	\$ 3,400
Transit administration	<u>90,000</u>
Total depreciation expense	<u>\$ 93,400</u>

#### (6) PENSION AND RETIREMENT BENEFITS

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of the annual covered payroll. Contribution requirements are established by State statute. The Commission's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$36,041, \$33,175 and \$20,080 respectively, equal to the required contributions for each year.

#### (7) RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

#### (8) COMPENSATED ABSENCES

Region Six employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements

## REGION SIX PLANNING COMMISSION

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

#### (8) COMPENSATED ABSENCES - CONTINUED

by Region Six until used or paid. The approximate liability for earned vacation termination payments payable to employees of June 30, 2004 is as follows:

Vacation	\$22,298
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This liability has been computed on rates of pay in effect at June 30, 2004.

#### (9) RENT

On September 10, 2002, a 28E Agreement was signed for the lease of offices and other associated space within a new transit/public works facility on property owned by the City of Marshalltown at 12<sup>th</sup> Avenue and Main Street. This agreement began upon completion of the construction and will be in effect for a period of 15 years with options for renewal of the lease for additional periods of five years. The City will provide building maintenance, cleaning services, utilities, mowing, snow and ice removal, general fire and casualty insurance and parking. In exchange for approximately 1,250 square feet, the Commission will pay an upfront investment of \$120,000. The Commission must also provide for contents and liability insurance. The Commission moved into the new space approximately November 20, 2003.

#### (10) PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Boards has issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements were implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the Commission's financial activities.

Implementation of these statements had the following effect on the beginning balances of the Commission.

Net assets June 30, 2003, as previously reported	\$ 1,199,222
Recognition of prior periods accumulated depreciation	(318,651)
Prior period bad debt	(19,629)
Provision for long term debt	(13,585)
	<u>\$ 847,357</u>

**SUPPLEMENTARY INFORMATION**

**REGION SIX PLANNING COMMISSION****SCHEDULE OF SUPPORT AND REVENUE**

For the year ended June 30, 2004

## Support:

## Federal grants:

Federal transit assistance	\$ 73,886
Capital transit revenue	209,325
VSDA - Economic Development Administration	<u>36,375</u>
	<u>319,586</u>

## State appropriations:

State transit assistance	151,311
Iowa Department of Economic Development - LHAP	<u>88,827</u>
	<u>240,138</u>

## Revenue:

Membership dues	32,910
Interest income	10,063
Fuel tax refund	15,101
Planning contracts	177,062
Farebox revenue	119,417
Other transit revenue	931
Vehicle reserve	10,560
Other revenue	<u>242,101</u>
	<u>608,145</u>

Total support and revenue \$ 1,167,869

See accompanying independent auditors' report.

## REGION SIX PLANNING COMMISSION

## SCHEDULE OF EXPENDITURES DETAIL

For the year ended June 30, 2004

## Expenditures:

## General planning:

Planning	\$ 24,195
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## Planning contracts:

Marshalltown zoning	546
Hazard mitigation	912
IDOT/ISTEA	36,940
Other planning contracts	224,188
	<u>262,586</u>

## Transit expenses:

Pass-through	6,204
Transit administration	221,350
Marketing	2,548
Caravan - MMSC	74,954
Grinnell RMC	17,473
Grinnell transit	43,910
Iowa Falls transit	54,864
Marshalltown/Grinnell	248
Tama Elderly	37,297
Poweshiek CDC	39,426
Tama County CPC	34,171
Tama County mental health	19,802
Poweshiek County mental health	10,320
Hardin/EMH	104
Dysart	9,926
Tama/Marshalltown	30,667
Access, Inc.	51,426
Tama medical	22,433
Para transit	11,702
State Center transit	44,630
Hardin medical	26,433
Marshall County	7,341
Tama County - other	5,745
Hardin County - other	524
Poweshiek County - other	742
	<u>774,240</u>

## REGION SIX PLANNING COMMISSION

## SCHEDULE OF EXPENDITURES DETAIL - CONTINUED

For the year ended June 30, 2004

## Expenditures - continued:

## General administrative:

Rent	\$ 5,944
Direct expenses	15,142
Office supplies	4,222
Postage	4,347
Legal and accounting	22,600
Salaries	22,388
Employee benefits	11,268
Payroll taxes	1,943
Bank charges	359
Depreciation	3,400
LHAP program	<u>53,445</u>
	<u>145,058</u>
	1,206,079

Allocation of general administration	(92,215)
Allocation of transit expense	<u>(131,375)</u>

Total expenditures \$ 982,489

See accompanying independent auditors' reports

**REGION SIX PLANNING COMMISSION**

## COMPARISON OF REVENUES

	Years ended June 30,				
	2004	2003	2002	2001	2000
Federal	\$ 319,586	\$ 200,845	\$ 147,068	\$ 270,795	\$ 73,901
State	240,138	253,127	230,211	258,745	229,067
Local	608,145	528,278	384,459	261,830	376,934
	<u>\$1,167,869</u>	<u>\$ 982,250</u>	<u>\$ 761,738</u>	<u>\$ 791,370</u>	<u>\$ 679,902</u>

See accompanying independent auditors' report.



## REGION SIX PLANNING COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL

Year ended June 30, 2004

	Total Actual	Final Budget	Final to Actual Variance Positive (Negative)
Revenues:			
Community planning	\$ 308,379	\$ 164,794	\$ 143,585
Transportation planning	37,280	48,447	(11,167)
EDA - Revolving loan fund	69,571	125,000	(55,429)
Other	(143)	-	(143)
Transit operating	539,922	498,117	41,805
Total revenues	955,009	836,358	118,651
Expenditures/Expenses:			
Community planning	262,494	140,459	(122,035)
Transportation planning	36,940	60,462	23,522
EDA - Revolving loan fund	48,346	150,000	101,654
Other	891	-	(891)
Transit operating	633,818	502,592	(131,226)
Total expenditures/expenses	982,489	853,513	(128,976)
Excess (deficiency) of receipts over expenditures/expenses	(27,480)	(17,155)	(10,325)
Other financing sources			
Transit interest income	2,308	-	2,308
Transit equipment grant	209,325	-	209,325
Transit - other	1,227	-	1,227
Total other financing sources	212,860	-	212,860
Excess of receipts and other financing sources over sources over expenditures/expenses and other financing uses	185,380	(17,155)	202,535
Balances beginning of year	847,357	370,001	477,356
Balances end of year	\$ 1,032,737	\$ 352,846	\$ 679,891

See accompanying independent auditor's report.

## **REGION SIX PLANNING COMMISSION**

### **NOTE TO BUDGETARY REPORTING**

June 30, 2004

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents function disbursements by fund, the legal level of control is at the total expenditure/expense level, not by fund. The Board of Directors reviews the proposed budget and grants final approval. The budget may be amended during the year. The budget is a good planning tool and is recommended even though there is no statutory requirement for a budget in this organization.

# REGION SIX PLANNING COMMISSION

## SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2004

		Program Receipts		Net
		Charges for	Operating Grants,	(Disbursements)
	Expenses	Service	and Contributions	Receipts and Changes in Net Assets
General activities:				
Unallocated general administration	\$ (2,509)	\$ (143)	\$ -	\$ 2,366
Depreciation	3,400	-	-	(3,400)
Community planning	262,494	174,744	133,635	45,885
Transportation planning	36,940	-	37,280	340
EDA/RLF	48,346	69,571	-	21,225
Total general activities	348,671	244,172	170,915	66,416
Transit operating activities:				
Unallocated transit administration	(320)	-	-	320
Depreciation	90,000	-	-	(90,000)
Tama County	5,745	4,160	-	(1,585)
Hardin County	524	417	-	(107)
Poweshiek County	742	476	-	(266)
Marshall County	7,341	8,258	-	917
Caravan - MMSC	74,954	39,768	38,255	3,069
State Center - Marshall	44,630	24,315	19,416	(899)
Iowa Falls - Taxi	54,864	10,577	22,711	(21,576)
Grinnell	43,910	17,143	20,787	(5,980)
Tama Mental Health	19,802	7,818	10,069	(1,915)
Tama Medical	22,433	18,182	8,651	4,400
Poweshiek CDC	39,426	34,534	19,560	14,668
Poweshiek Mental Health	10,320	-	5,959	(4,361)
Access	51,426	26,785	20,305	(4,336)
Tama CPC	34,171	39,848	12,832	18,509
GRMC	17,473	-	25,351	7,878
Tama Elderly	37,297	20,650	15,331	(1,316)
Tama - Marshalltown	30,667	7,545	9,780	(13,342)
Grinnell - Marshalltown	248	-	-	(248)
Hardin Medical	26,433	14,451	14,538	2,556

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**REGION SIX PLANNING COMMISSION**
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED**

Year ended June 30, 2004

		<u>Program Receipts</u>		Net (Disbursements)
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, and Contributions</u>	<u>Receipts and Changes in Net Assets</u>
Transit activities - continued:				
Marshalltown Paratransit	\$ 11,702	\$ 8,635	\$ -	\$ (3,067)
Dysart	9,926	6,012	6,752	2,838
Hardin/EMH	<u>104</u>	<u>51</u>	<u>-</u>	<u>(53)</u>
Total transit activities	<u>633,818</u>	<u>289,625</u>	<u>250,297</u>	<u>(93,896)</u>
Total	<u>\$ 982,489</u>	<u>\$ 533,797</u>	<u>\$ 421,212</u>	<u>\$ (27,480)</u>
<b>General Receipts:</b>				
Transit interest income				2,308
Transit equipment grant				209,325
Transit other revenue				931
Unallocated transit administration				<u>296</u>
Total general receipts				<u>212,860</u>
Change in net assets				185,380
Net assets beginning of year				<u>847,357</u>
Net assets end of year				<u>\$ 1,032,737</u>

**MARTENS & COMPANY, CPA, P.C.**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Region Six Planning Commission  
Marshalltown, Iowa

We have audited the financial statements of Region Six Planning Commission, Marshalltown, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Region Six Planning Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Region Six Planning Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Region Six Planning Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 and II-B-04 are material weaknesses. Prior year reportable conditions have been resolved.

This report is intended for the information of the Region Six Planning Commission, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Region Six Planning Commission during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Martens & Company, CPA, P.C.*

West Des Moines, Iowa  
September 23, 2004

## REGION SIX PLANNING COMMISSION

### SCHEDULE OF FINDINGS

Year ended June 30, 2004

#### **Part I: Summary of the Independent Auditors' Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

#### **Part II: Findings Related to the Financial Statements:**

##### **INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

##### **REPORTABLE CONDITIONS:**

II-A-04     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

One individual performs nearly all bookkeeping functions including handling and recording cash receipts, preparing and recording cash disbursements and payroll preparation and distribution.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Currently, one individual handles receipts, another person handles disbursements, and both of these individuals prepare and distribute payroll.

Conclusion - The Commission should review its operating procedures to obtain the maximum internal control possible.

II-B-04 General - The work of absent employees is not performed by someone else.

Recommendation - Employees should be encouraged to take a vacation at least one week per year and their work should be performed by someone else during their absence.

## REGION SIX PLANNING COMMISSION

### SCHEDULE OF FINDINGS

Year ended June 30, 2004

#### **Part II: Findings Related to the Financial Statements - Continued:**

##### **REPORTABLE CONDITIONS - Continued:**

###### II-B-04 - Continued

Response - At least two staff people are able to process payroll, and the director could if these two individuals are absent. One person currently handles the receipts, but two staff people could easily do this task. One staff person handles disbursements, but the director could process these if the staff person is absent for an extended time period.

Conclusion - We still recommend that when an employee is absent, someone else performs their duties.

II-C-04     Budget - Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the community planning and transit operating functions. Good business practice requires adherence to the budget or an amendment with proper support. Monies should not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

#### **Part III: Other Findings Related to Required Statutory Reporting:**

III-A-04     Questionable expenditures - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-B-04     Travel expense - No expenditures of Commission's money for travel expenses of spouses or Commission's officials or employees were noted.

III-C-04     Business transactions - No business transactions between Commission and Commission's officials or employees were noted.

III-D-04     Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.



## REGION SIX PLANNING COMMISSION

### SCHEDULE OF FINDINGS

Year ended June 30, 2004

#### **Part III: Other Findings Related to Required Statutory Reporting - Continued:**

- III-E-04     Bond Coverage - Surety bond coverage is provided only for the director. Contracts for transportation also require bonding for all persons handling project funds. All Commission staff having any access to funds should also be bonded. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

Recommendation - All Commission employees having access to funds should be bonded to appropriate levels.

Response - The Commission will secure additional bonding as required.

Conclusion - Response accepted.

- III-F-04     Accounting Manual - The Commission has no formal accounting manual. This could be very important in the case of employee turnover. Consistent application of accounting transactions is necessary in the complex environment and variety of activities encountered by the Commission.

Recommendation - An accounting manual should be developed as soon as possible.

Response - An accounting manual will be developed.

Conclusion - Response accepted.

- III-G-04     Petty Cash - The Commission has no formal petty cash controls. Deposits are shorted to obtain cash needed to replenish petty cash. The receipts along with the deposit ticket are stapled to the cash receipts listing.

Recommendation - An employee should be assigned as custodian of the petty cash with approval by management of the time of replenishment by a check.

Response - An imprest petty cash fund will be established with a custodian and management approval of expenditures.

Conclusion - Response accepted.

- III-H-04     Computer Usage Policy - The Commission has no formal computer usage policy. The objective of this policy would be to provide reasonable assurance that the following objectives are achieved.

- A. Proper authorization of transactions and activities related to the information systems.
- B. Segregation of duties in functions related to the information systems.
- C. Design and use of adequate information system (IS) documents and records.
- D. Adequate safeguards over access to and use of the information system, assets and records.
- E. Independent checks on performance of IS functions.

## REGION SIX PLANNING COMMISSION

### SCHEDULE OF FINDINGS

Year ended June 30, 2004

#### **Part III: Other Findings Related to Required Statutory Reporting - Continued:**

III-H-04 - Continued

Recommendation - A computer usage policy should be established due to the increased usage and reliance on computers at the Commission.

Response - A computer usage policy will be established.

Conclusion - Response accepted.